

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6696**

**BILL NUMBER:** SB 310

**NOTE PREPARED:** Feb 15, 2015

**BILL AMENDED:** Feb 12, 2015

**SUBJECT:** Alternative Schools.

**FIRST AUTHOR:** Sen. Merritt

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

*Annual Performance Report:* The bill makes changes to the requirements as to what information must be reported on a school corporation's annual performance report.

*Alternative Education Fund:* The bill provides that when a student is expelled from school, the Department of Education shall deposit the remaining state tuition support for the expelled student into the Alternative Education Fund to be used to provide grants to alternative education programs

It provides that if a student who was enrolled in a public school on the date of the fall count of ADM is not enrolled in the school on the spring count of ADM because the student was expelled or dropped out of school, the Department shall transfer to the fund from the amount appropriated by the General Assembly to the Department for distribution as state tuition support an amount equal to the amount of state tuition support the school corporation would have received for the student in the second six months of the state fiscal year.

The bill establishes the Alternative Education Fund.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Summary:*

(Revised) *Alternative Education Fund* - Under this bill, it is estimated that the state would transfer between \$13 M and \$20 M annually to the Alternative Education Fund. The specific amount of money transferred

would depend on the state tuition support for regular programs for the applicable school corporations and the number of students from these corporations who are expelled or who dropped out of school. This represents the amount of state tuition support that the school corporations would have received during the second six months of the state fiscal year for these students if they had remained in school.

(Revised) *Department of Education (DOE)* - The DOE will experience an increase in administrative workload to: (1) administer the Alternative Education Fund; (2) provide grants to alternative education programs; (3) verify that a student who has been expelled from a school or who dropped out of school is not included in another school's spring ADM count; and (4) compute the amount of state tuition support to be transferred to the Alternative Education Fund for those students who are expelled or drop out of school. As a result, the DOE may need to reallocate existing resources or expend additional resources to complete these tasks. The DOE currently has 23 vacant positions that could potentially be allocated to administering the fund.

*Additional Information:*

(Revised) *Alternative Education Fund* - This bill establishes the nonreverting Alternative Education Fund to provide grants to qualified alternative education programs. The DOE would administer the fund. The fund consists of state tuition support payments of students who have been expelled and gifts, grants, devises, and bequests. The Treasurer of State would invest the money in the fund not needed for current obligations.

(Revised) *Alternative Education Programs* - These programs are established by a school corporation or charter school to meet the needs of a student who: (1) is having difficulty in a traditional school; (2) is a parent or expectant parent; (3) is employed out of necessity; (4) is a disruptive student; or (5) intends to withdraw or has withdrawn from school.

The programs are funded through Alternative Education Program grants from the state for each full-time equivalent student, and through funds from the school corporation. The maximum grant from the state is \$750 per full-time equivalent student. A school corporation has to match at least one-third of the state grant per full-time equivalent student. There are currently 207 alternative education programs with 3 new programs awaiting approval

State funding is approximately \$6.1 M per year for the 2013-15 biennium. In the 2013-14 school year there were approximately 20,100 students in alternative education programs.

**Explanation of State Revenues: Summary:**

(Revised) *Alternative Education Fund* - Under this provision, the total amount of state tuition support transferred to the Alternative Education Fund is estimated to be between \$17 M and \$27 M annually. The total amount transferred from school corporations because students were expelled during the fall semester is estimated to be between \$4 M and \$7 M. The total amount transferred from the state because students were enrolled in the fall semester but not in the spring semester (either because they were expelled or have dropped out of school) is estimated to be between \$13 M and \$20 M annually.

(Revised) *Additional Information:* This analysis assumes that the student was included in the fall count of ADM of the school corporation the student attends, but was expelled with two months left in the fall

semester. Additionally, the student is not included in the spring count of ADM of any school corporation. Under the bill, the DOE would transfer to the Alternative Education Fund an amount equal to the amount of state tuition support the school corporation would have received for the remainder of the fall semester for the student, and the state tuition support the corporation would have received for the second six months of the state fiscal year for the student.

For FY 2015, state tuition support for regular programs ranged between \$4,813 and \$7,527 per student. The statewide decrease in ADM for public schools between the fall and spring semesters of FY 2015 was approximately 5,430 students. It is assumed that the decrease represents students who were expelled or dropped out of school. Under the assumptions of this analysis the amount transferred to the Alternative Education Fund would be equal to approximately one-third of the tuition support for the first six months of FY 2015 and all of the support for the second six months of FY 2015 for these students.

Under the bill, if at least 75% of an alternative education program's or other public school's students are on active expulsion or have previously dropped out of school, the alternative education program or school may apply to the DOE for a grant from the Alternative Education Fund. The DOE would award the grant after verifying the number of students in the program on active expulsion.

**Explanation of Local Expenditures:** (Revised) *Annual Performance Report* - The provision to disaggregate certain information in the annual performance report by race, grade, gender, free or reduced lunch status, and eligibility for special education could increase the cost of preparing and publishing the report. There would be a one-time cost in reprogramming the application used to create the tables for the report. Since each element that is reported has to be disaggregated into five sub-elements, the report could be five times as large as previous reports. The cost of printing and publishing the document would increase accordingly.

(Revised) *Alternative Education Fund* - Under the bill, the governing body of a school corporation is required to notify the DOE of the date that a student is expelled. This should be done at minimal cost.

**Explanation of Local Revenues:** (Revised) *Alternative Education Fund* - Under this bill, local revenues for those school corporations that expel a student during the fall semester are estimated to decrease by a statewide total of \$4 M to \$7 M annually. This amount would be transferred to the Alternative Education Fund. The specific amount of decrease for a school corporation would depend on the state tuition support for regular programs for the corporation, the number of students expelled, and when the students are expelled.

Local revenues for Alternative Education programs or schools that are awarded a grant from the Alternative Education Fund would increase.

**State Agencies Affected:** Department of Education; Treasurer of State.

**Local Agencies Affected:** School corporations; Alternative education programs;

**Information Sources:** Department of Education database; Julia Johns, Alternative Education/Secondary Literacy Specialist, Department of Education, 317-233-4936.

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